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It's Only A Matter Of Time Before Cashed Up Eleckra Mines Returns To The Spotlight

By Our Man in Oz

Hunting for anomalies is what geologists do for a living - looking for that little something different which might lead to a mineralised structure. Oddly enough, it's also what investors ought to be doing, because it's the undetected anomaly which can sometimes lead to a substantial windfall. Because most markets have been horrible for the past year the game of anomaly hunting, for geologists and investors, has been a pretty barren affair, which is why most of us tend to look the other way when something unusual pops up, like, for example, the current valuation of a small Australian explorer called Eleckra Mines. On the market, Eleckra is capitalised at a very lazy A\$2 million which, in the boom, was considered a round of drinks in a West End, or Kalgoorlie, bar. The reason that number looks so odd is that the company can demonstrate ownership of minerals in the ground worth A\$1.2 billion.

The value gap, or the anomaly, is so wide that a casual observer might be inclined to do exactly what was suggested in the opening paragraph, look the other way. How, it might be asked, could there be such a wide value disparity at a time when metal markets are re-awakening, courtesy of the economic green shoots sprouting in China, the US, and elsewhere? The answer is that Eleckra remains trapped in a time warp, where most investors, although not the professionals, continue to look at small explorers through glasses coated with a thick film of GFC (global financial crisis).

Last month, while amateur investors were still wondering whether there really is a recovery underway, Eleckra attracted a fresh A\$1 million from a share placement to professional investors. It's also currently finalising a shareholder entitlement issue which, when complete, will leave it with a total of about A\$3 million in the bank – a figure which might be called the second Eleckra anomaly, cash in the bank which is worth 50 per cent more than the company's stock market value. Fascinated by a company with two anomalies to its name, Minesite's Man in Oz decided to visit Eleckra's chief executive, Perth-based Ian Murray, to ask for an explanation. Easy, said Murray. No-one is looking at the small end of the market yet, even though that's where the best investment returns can be expected at this stage of the recovery.

"It's not hard to demonstrate that we are waiting to be re-discovered", said Murray. "We obviously have the cash in the bank, and we have our foot on one of the most prospective greenstone tenement packages in the Eastern Goldfields of Western Australia." For readers unfamiliar with Australia, the Eastern Goldfields is the country's most prolific gold-producing region. Eleckra's key position encompasses what's known as the Yamarna Belt, on which it has already outlined a resource totally 749,000 ounces of gold. Not far from Yamarna is Eleckra's partially owned Thatcher Soak uranium deposit which gives the company entitlement to 6.2 million pounds of uranium.

The first big question is what's it all worth? – a relatively simple exercise even for Minesite's Man in Oz. The answer, using a gold price of US\$884 an ounce and a uranium price of US\$44 a pound is that very impressive A\$1.2 billion (US\$932 million). The second big question is when and how will Eleckra convert minerals in the ground into dollars in the bank. This is somewhat harder, but not a show stopper. The uranium, for example, might easily be seen as "metal in the bank" because Eleckra owns the minority portion of Thatcher Soak and while no-one is yet saying as much, it really must only be a matter of time before majority owner Uranex makes an offer which is too good to refuse in order to get its hands on the entire orebody. And, if not Uranex, then somebody else. Murray, unsurprisingly, is quite relaxed about that possible development because he is directing Eleckra into a golden future.

"Gold is definitely what we're going to focus on", Murray said. "Yamarna is well on the way to becoming a company-maker for Eleckra. We have already outlined a substantial resource, and we're confident of adding to that. We are developing a greater understanding of the structures in the field, and we're expanding our hold on one of the last under-explored greenstone belts in Australia." For the uninitiated, greenstone is a semi-geological term for the host rock of much of the gold found in the Eastern Goldfields. In Eleckra's case it has a unique position in that it has stretched its exploration wings so far that it has been able to secure a dominant hold on an entire greenstone belt, though admittedly a remote one.

Three events could boost Eleckra's gold prospects. Firstly, being that remote might not be such an impediment soon because other gold projects in the neighbourhood are moving rapidly towards development. Secondly, that Eleckra's next phase of drilling at Yamarna is scheduled to start on May 15, and thirdly because there's a chance that the government of WA might lend a helping financial hand for the company's remote exploration. Of those, the key factor is the re-emerging science of near-ology. Before dismissing this as a nonsense, the "near" player in this case is the AngloGold/Independence discovery at Tropicana, arguably Australia's best gold discovery in two decades. Until recently, Eleckra's Yamarna gold was mainly contained in structures the best part of 100 kilometres to the north-west of Tropicana, but a recently granted 1,100 square kilometre tenement called Golden Sands puts Eleckra virtually on Tropicana's doorstep. As for government financial help, that could come in the form of a recently launched state government initiative to provide funding for grass-roots exploration, a scheme identical to that operating very successfully in South Australia.

"Work at Golden Sands will target extensions of the Yamarna shear zones beneath sand cover", Murray said. "We're planning regional aeromagnetic surveys and reconnaissance geochemical sampling." As seasoned followers of the mining industry know, those steps are the early stage of an exploration project, but they are the blue sky in the story of a company which has suffered the indignity of being ignored and is on the verge of a significant return to the limelight. Eleckra has cash in the bank, a very bankable/negotiable uranium asset, a proven gold resource of some substance, and an on-going exploration effort in an under-explored region which is starting to reveal hidden treasures, not least the five million ounce Tropicana gold project. Over the next few months, expect to hear more about Eleckra as the news flow builds.

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